

## **African countries consider debt swap; Move would ease losses in exchange for climate action**

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### **Body**

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African countries saddled with debt and ravaged by losses and damages from weather events like cyclones, drought and extreme temperatures have agreed to consider swapping debt to invest in climate action in a meeting of finance ministers in the Ethiopian capital Addis Ababa.

The "debt-for-climate swap" option is an economic tool that allows a country's debt to be reduced in exchange for commitments on green investments. It was among several alternative green financing models discussed at the ongoing United Nations conference for finance and economic ministers that supporters say would boost funds to adapt to climate harms, protect nature and finance local communities.

It comes as many African nations are battling with the effects of costly climate change-fuelled events like the ongoing drought in eastern Africa that has killed thousands and decimated livelihoods reliant on rain-fed agriculture and the aftermath of the devastating Cyclone Freddy in the south that's left hundreds dead and thousands of others displaced.

Egyptian Finance Minister Mohamed Maait said his country is one of many that is now having to add heavy climate costs to budgets stretched thin by external debt - which takes up to 17 per cent of countries' spending in some cases - and other basic needs.

"What I am asking every day and every hour is where do I get the money to protect our people from climate extremes," Maait said, adding that borrowing was often the only option for some nations.

Yet "many countries simply cannot access international financial markets because of rising interest rates," Hanan Morsy, the chief economist of the UN Economic Commission for Africa, told the roundtable Monday. Morsy added that private sector investments in climate finance are lower in Africa than in any other part of the world.

Ministers also discussed bonds that would help increase private financial flows as well as "blended finance" models that would combine development funds and private capital as potential solutions for climate funding.

Interest in green finance has been growing, along with criticism current mechanisms don't work for countries ravaged by climate extremes but have contributed little to the planet-warming emissions in the atmosphere.

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In 2022, the International Monetary Fund established a \$50-billion (U.S.) climate loan pot to help low and middle-income nations access affordable and longer-term financing to respond to shocks associated with climate change. Rwanda became the first African nation to receive a loan of \$319 million.

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